

# Preface

This report is the product of an intensive eleven-month U.S. Department of Commerce examination of market-distorting practices and trade barriers in the global steel industry and their possible contribution to the 1998 U.S. steel crisis. The report also recommends solutions to avoid future crises.

As part of the White House Steel Action Program announced on August 5, 1999, the President tasked the Department of Commerce's International Trade Administration with conducting "an intensive examination and analysis of current subsidies given to producers of steel and inputs for finished steel products and the extent to which government actions have led to other market-distorting trade barriers." This report examines what happened to the U.S. industry in 1998; analyzes underlying structural problems and market-distorting practices in key steel exporting countries (Russia, Japan, Korea, and Brazil); discusses the aftermath of the crisis in the United States and abroad; looks at several countries that may pose new concerns for global steel trade over the next decade (China, Ukraine, and India); and makes recommendations on how to address these market-distorting practices and trade barriers.

Of course, a number of factors contributed to the steel industry's situation in 1998. The purpose of this report was not to quantify or weigh these factors; rather it was to gain a better understanding of both the short- and longer-term structural problems the industry faced in order to develop domestic, bilateral, and multilateral strategies to address them head-on, so that future trade crises can be prevented. The recommendations seek to do this in a way that is constructive, consistent with our World Trade Organization obligations, and sensitive to the needs of adversely affected communities and workers.

In preparing the report, Commerce Department staff drew upon a wide range of sources in conducting extensive research on the state of the steel industry in the United States and around the world. In numerous meetings and discussions in the United States and abroad, Commerce officials consulted:

- Representatives of the U.S. steel industry, workers, and their union leaders.
- Representatives of foreign steel producers and their workers.
- Foreign government and embassy officials.
- Trading companies, steel service centers, and other consumers.
- Industry experts, including academics, bankers, and investment analysts.
- Trade associations representing U.S. and foreign industries.

The Commerce Department also commissioned research reports on the structure and condition of the steel industries in Brazil, China, India, Japan, Korea, Russia, and Ukraine. While most of the research was performed between September 1999 and June 2000, every effort has been made to incorporate the most recent data, trends, and developments.

The President initiated the Steel Action Program in response to a crisis that hit the U.S. steel industry in 1998, prompted by a flood of low-priced imports and characterized by company bankruptcies and steelworker layoffs. The analyses and conclusions in this report are not intended to address the consistency of any of the industry or government practices discussed with either U.S. laws or international rules, and they do not constitute official findings or determinations under any U.S. laws or international agreements. Rather, these are practices that have contributed to distortions in both domestic and global steel markets.